

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 EUR-25 ISO-00 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIP-02 OMB-01 DRC-01 PA-94 USIA-15 PRS-01

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R 282030Z DEC 73

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 7001

INFO AMEMBASSY PARIS

UNCLAS SANTIAGO 6343

PASS EXIMBANK

E.O. 11652: N/A

TAGS: EGEN, CI, US, EFIN

SUBJECT: GOC REACTION TO DEBT AGREEMENT WITH USG

1. AT DECEMBER 27 PRESS CONFERENCE CENTRAL BANK PRESIDENT CANO EXPRESSED SATISFACTION ABOUT RECENT DEBT RENEGOTIATION AGREEMENT WITH USG. HE SAID CHILE AS RESULT WILL COME TO NEXT PARIS CLUB MEETING WITH ALL ITS FOREIGN DEBTS SETTLED UP TO THE END OF 1972 WITH POSITIVE EFFECT ON PROSPECTS FOR 1973-74 DEBT RENEGOTIATIONS. AFTER SUMMARIZING RESULTS OF US DEBT AGREEMENT, CANO EXPLAINED WITH PRIDE THAT GOC'S POSITIONS HAD BEEN ACCEPTED BY EXIM BANK REGARDING NON-ACCELERATION OF PAYMENTS ON EXIM LOANS TO GRAN MINERIA, RATE OF INTEREST FOR REFINANCING NO HIGHER THAN 6 PERCENT, AND EXIM CREDITS CONTRACTED BEFORE JANUARY 1, 1971 BUT DISBURSED AFTER THAT DATE BEING SUBJECT TO RENEGOTIATION.

2. CANO SAID THAT CENTRAL BANK HAD DEPOSITED IN MIAMI BANK \$19.5 MILLION, OF WHICH \$16 MILLION WILL BE USED TO MAKE FIRST PAYMENT THIS MONTH UNDER DEBT AGREEMENT. HE NOTED THAT FX DEPOSIT WAS PART OF \$45 MILLION

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EXCHANGED BY CHILEANS FOR ESCUDOS SINCE SEPTEMBER 11.

3. IN ONLY PERIPHERALLY RELATED MATTER CANO EXPLAINED THAT RECENTLY-CREATED FOREIGN CREDITS COMMITTEE WILL BE IN CHARGE OF CONTROLLING NEW FOREIGN LOANS TO GOC. HE SAID THAT IN 1974 COMMITTEE WILL LIMIT NEW PUBLIC DEBT TO HIGHEST PRIORITY GOVERNMENT PROJECTS IN ORDER FULFILL INTERNATIONAL FINANCIAL AGREEMENTS (READ IMF STANDBY). HE ALSO ANNOUNCED NEW REGULATIONS DESIGNED TO ENCOURAGE CHILEANS TO EXCHANGE THEIR FOREIGN EXCHANGE FOR ESCUDOS, PLACE THE FX IN BANK DEPOSITS OR SPEND THEM TO FINANCE SELECTED CATEGORIES OF MERCHANDISE IMPORTS OR INVISIBLES.

4. PRESS PLAY ON US-GOC BILATERAL IN FIRST FEW DAYS WAS MAINLY RESTRICTED TO WIRE SERVICE STORIES FROM WASHINGTON. SINCE THEN MINECON LENIZ HAS PUBLICLY TERMED THIS ACCORD "POSITIVE", ADDING (ACCORDING TO PRESS ACCOUNTS) THAT COPPER NEGOTIATOR PHILIPPI WOULD BEGIN TALKS IN JANUARY TO EXPLORE "IF COPPER COMPANIES DESERVE TO BE PAID INDEMNIZATION THEY CLAIM."

5. COMMENT: IN PRIVATE CONVERSATIONS WITH EMBOFFS, GOC OFFICIALS SEEM UNANIMOUSLY PLEASED WITH RESULTS OF BILATERAL.
THOMPSON

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Disposition Event:
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